

FOUR *FAST* FACTS



INDUSTRIAL STOCK ON COURSE TO SURPASS **34 MILLION SQ M** IN 2024

The Polish industrial market continues to enjoy brisk expansion. Looking further into the future, its pace of growth is, however, likely to be slower than in 2021-2022 as the shock to demand in the aftermath of the COVID-19 pandemic has already materialised. Current market trends are being driven by economic developments, with positive economic forecasts expected to boost leasing activity in the coming quarters.



1/3 OF STANDING STOCK BUILT IN THE LAST THREE YEARS

New supply for 2021-2023 reached 11.3 million sq m, accounting for 35% of Poland's total industrial stock. 2024 is expected to see 2.9 million sq m come on stream - this would represent the fourth highest level in the history of the Polish industrial market.



RETAIL GROWS, TIME FOR LOGISTICS

Leasing activity decelerated significantly on many European markets in first quarter of 2024 amid economic headwinds. Although take-up experienced a 25% decline year-on-year, Poland remained one of the most active industrial markets in Europe. Retail and e-commerce were the two leading occupier sectors. Logistics demand weakened but is expected bounce back in the second half of 2024.



RENTS HOLD FIRM BUT ARE LIKELY TO EDGE DOWN ON SOME MARKETS

Rental rates have come under pressure from a significant increase in warehouse availability and intense competition between developers. A rental correction would ease the burden on tenants grappling with rising service charges.

	YoY change	12-month forecast
8.2% Vacancy Rate	▲	▼
€4.80 /sq m/month Prime Rent*	▲	▬
6.35% Prime Yield	▲	▬

Avg. for 5 core markets, big-box, A-class standard

ECONOMIC INDICATORS Q1 2024

	YoY change	12-month forecast
1.9% YoY GDP Growth	▲	▲
5.3% Unemployment Rate (March 2024)	▼	▲
-0.7% Industrial Production	▲	▲
2.8% Inflation	▼	▬

Source: Statistics Poland (GUS), Moody's outlook

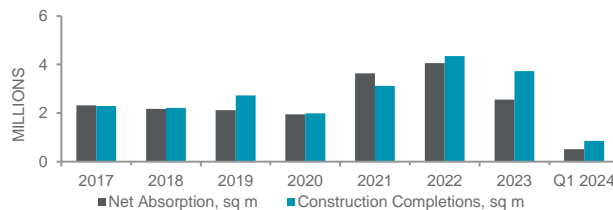
ECONOMY: Poland's GDP grows 1.9% in Q1 2024 as inflation falls to its lowest since March 2019

According to estimates from Statistics Poland (GUS), Poland's GDP for Q1 2024 grew by 1.9% year-on-year while retail sales soared by 5.0% year-on-year. Inflation fell to 2.0% in March 2024, its lowest since March 2019. However, with Poland phasing out food and electricity price regulations, the inflation rate is expected to edge up in the second half of 2024. In March 2024, Poland's unemployment rate remained at a low level of 5.3%, but the number of new job postings fell by 9.1% year-on-year. Manufacturing remains weak, with industrial sales for the first quarter down by 0.7% year-on-year and PMI readings below 50 points for the last 24 months (48 points in March 2024). Business confidence is, however, improving, with companies expecting an increase in production in the next 12 months on the back of economic recovery and export growth. According to Moody's, the Polish economy will expand by 2.8% in 2024 and 4.8% in 2025. The economic growth will be underpinned by a recovery in consumer spending fuelled by an increase in real disposable income and a rebound in investment driven by the inflow of EU funds.

TAKE-UP: Take-up falls 25% - mainly due to weaker logistics demand

The first quarter of 2024 saw 872,000 sq m of industrial space transacted – this represented a year-on-year decrease of 25% and the lowest figure since the second quarter of 2019. Europe as a whole also experienced a double-digit drop in take-up of 22% year-on-year. Faced with a recent economic slowdown and rising operating costs, many companies reoriented their strategies towards optimizing operations. Logistics companies were notably less acquisitive, accounting for 20% of take-up in the last six months compared to the usual average of 30-40%. This sector is, however, showing signs of increased activity, but this will not translate into take-up figures until several months later. The retail sector is a positive growth story of rising retail sales and the expansion of e-commerce comprising fashion, electronics, household appliances, cosmetics and pet products. This is, in turn, fuelling strong demand coming from courier companies and the packaging sector. Despite a downturn in manufacturing, automotive and production companies remained active. Market sentiment is expected to improve in the coming quarters, but this year's leasing activity is unlikely to match last year's robust take-up of 5.58 million sq m.

NET ABSORPTION AND SUPPLY



Source: Cushman & Wakefield

VACANCY RATE AND PRIME HEADLINE RENT



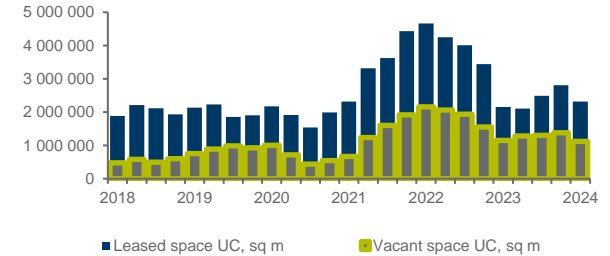
SUPPLY: The double-digit growth experienced by the industrial market for nearly 10 years has come to an end

At the end of the first quarter of 2024, Poland's total warehouse stock stood at 32.7 million sq m, up by 9.5% year-on-year. 75% of that total is concentrated in the country's five core regions: Mazovia, Silesia, Łódzkie, Lower Silesia and Greater Poland. New warehouse supply in the three months to March 2024 amounted 852,000 sq m, 86% of which was delivered onto four markets: Lower Silesia (32%), Pomerania (20%), Greater Poland (19%) and Mazovia (15%). [The largest completions included Panattoni Park Poznań A2 (140,000 sq m, including 60,000 sq m for H&M), the second phase of Panattoni Park Wrocław Logistics South Hub (90,000 sq m) and another phase of GLP Wrocław V Logistics Centre (86,000 sq m) for an international e-commerce company. Development activity slackened slightly in the first quarter of 2024, with approximately 2.32 million sq m under construction. Speculative projects without pre-lets accounted for 49% of the development pipeline, down from 54% last year. The highest concentration of construction activity was in five core markets and in the vicinity of Gdansk and Krakow. Smaller markets such as Bydgoszcz-Toruń, Szczecin and Rzeszów are also expected to see an uptick in development. By contrast, there are no projects under way in Lubuskie due to a relatively high availability of warehouse space and muted demand reported by tenants with links to the German economy. Construction volumes are expected to shrink in the near term in Lower Silesia and Łódzkie. Stable construction costs have a positive effect on development activity but are likely to rise again in the long term due to an anticipated rebound in economic investment and rising electricity prices and labour costs.

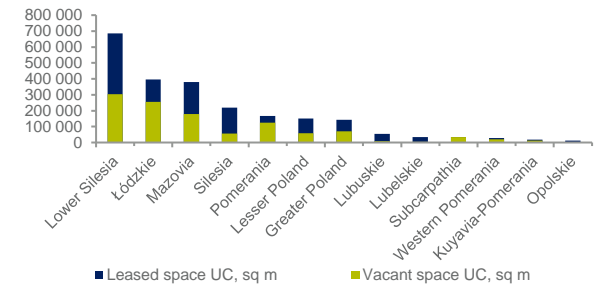
RENTS: Rental rates stabilize as supply levels remain high but are likely to edge down on some markets

The overall vacancy rate has been on an upward trend since it fell to a historic low of 3.3% in early 2021. It currently stands at 8.2%, its highest since September 2020 (8.5%). High supply levels pushed warehouse availability up to 2.69 million sq m during the first quarter of 2024, with 416,000 sq m of new completions remaining vacant at the end of March. In addition, approximately 245,000 sq m was vacated by tenants who chose not to renew their leases. Vacancy rates are above 10% in four regions: Lower Silesia, Łódzkie, Świętokrzyskie and Lubuskie, while Mazovia's vacancy rate also remains high at 9%. Nearly 50% of vacant industrial stock is in new developments completed since the beginning of 2023 and another 30% is in projects delivered in 2017-2022. Net absorption amounted to 518,000 sq m, signifying another increase in physically occupied space, and was close to the 2017-2020 average of 535,000 sq m but well below the 2021-2023 average of 854,000 sq m. Monthly headline rents held firm at EUR 3.60-6.50 per sq m but are likely to edge down amid rising warehouse availability levels. Service charges continue to trend upwards due to high taxes and salary growth pushing property maintenance costs up.

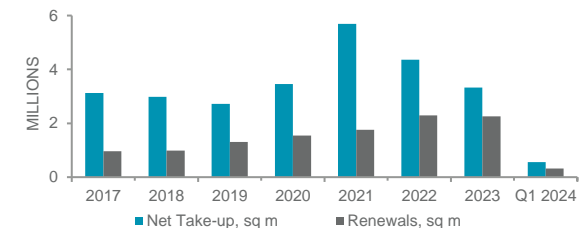
DEVELOPMENT ACTIVITY



INDUSTRIAL SPACE UNDER CONSTRUCTION MARCH 2024



TAKE-UP



REGIONAL STATISTICS

MARKET	STOCK (sq m)	AVAILABILITY (sq m)	VACANCY RATE	Q1 GROSS TAKE-UP (sq m)	Q1 NET TAKE-UP (sq m)	Q1 COMPLETIONS (sq m)	UNDER CNSTR (sq m)	VACANT SPACE UNDER CNSTR (sq m)	PRIME RENT* (EUR/sq m/month)
Mazovia	6,669,240	600,496	9.0%	207,293	125,816	124,719	379,370	179,141	5.25
Silesia	5,510,825	350,918	6.4%	135,161	73,481	58,407	219,693	63,103	5.20
Łódzkie	4,540,149	462,416	10.2%	178,007	119,493	26,638	396,675	255,985	4.50
Lower Silesia	4,457,310	511,177	11.5%	71,193	39,318	272,047	686,204	304,003	4.50
Greater Poland	3,547,962	218,611	6.2%	165,858	135,603	159,914	142,797	71,350	4.50
Lubuskie	1,648,040	229,165	13.9%	0	0	21,530	53,955	8,000	4.30
Pomerania	1,608,944	56,316	3.5%	21,416	11,638	167,237	166,066	123,899	5.50
Western Pomerania	1,234,380	85,907	7.0%	17,201	5,761	0	29,094	20,650	4.40
Lesser Poland	1,033,049	39,832	3.9%	26,037	12,017	21,618	151,606	58,898	6.50
Kuyavia-Pomerania	883,563	52,343	5.9%	28,467	12,928	0	18,280	11,780	4.20
Subcarpathia	515,677	9,456	1.8%	0	0	0	33,400	33,400	4.90
Lubelskie	419,506	32,902	7.8%	0	0	0	34,047	4,371	4.40
Opolskie	271,363	7,000	2.6%	16,382	16,382	0	12,582	0	4.30
Other	405,871	28,863	7.1%	4,849	3,240	0	0	0	3.90-4.30
POLAND TOTALS	32,745,879	2,685,401	8.2%	871,864	555,677	852,110	2,323,769	1,134,580	6.50 (*BIG-BOX)

Source: Cushman & Wakefield

KEY LEASE TRANSACTIONS, Q1 2024

PROPERTY	REGION	TENANT / SECTOR	SIZE (sq m)	TYPE
Hillwood Łódź II	Łódzkie	Confidential / retail	62,032	New lease
Panattoni Park Poznań A2	Greater Poland	Confidential / retail	60,000	Expansion
Panattoni Park Poznań West Gate II	Greater Poland	ID Logistics	49,791	New lease
Prologis Park Ruda Śląska	Silesia	Confidential / distribution	16,862	Pre-let

KEY INVESTMENT TRANSACTIONS, Q1 2024

PROPERTY	REGION	SELLER	BUYER	SIZE (sq m)
West Park Pruszków; West Park Ożarów	Mazovia	DWS	Hillwood	78,000
Panattoni Park Wrocław West Gate I	Lower Silesia	Panattoni	Confidential	46,900

EWA DERLATKA-CHILEWICZ

Head of Research
+48 606 116 006 /
ewa.derlatka-chilewicz@cushwake.com

ADRIAN SEMAAN

Senior Research Consultant
+48 722 202 894 / adrian.semaan@cushwake.com

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